



Hackley Public Library  
61-8000  
**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

June 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Hackley Public Library</b>	County <b>Muskegon</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>10/21/04</b>	Date Accountant Report Submitted to State: <b>11/16/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BRICKLEY DELONG PLC</b>			
Street Address <b>500 TERRACE PLAZA</b>	City <b>MUSKEGON</b>	State <b>MI</b>	ZIP <b>49443</b>
Accountant Signature <i>Timothy D. Carter, C.P.A. for Brickley DeLong, PLLC</i>		Date <i>11/16/04</i>	

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Hackley Public Library  
**Management's Discussion and Analysis**  
June 30, 2004

**Brief discussion of the basic financial statements**

This report consists of three parts -- *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- \* The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These financial statements focus on current resources and provide a detailed view about the Library's sources and uses of funds.
- \* The "Adjustments" column of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method.
- \* The third columns provide both long term and short term information about the Library's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Library as a whole and present a longer term view of the Library's finances.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

As this is the first year of the *management's discussion and analysis* report, consistent with Governmental Accounting Standards Board Statement Number 34, this year's report does not show data comparative with prior years. In future years the condensed financial information section will include this information.

**Condensed Financial Information**

A. Statement of net assets.

Funds invested in capital assets includes the Library's collections of materials as well as its fixed assets, minus depreciation. These are not readily available for the payment of bills. The funds restricted for collection expenses are a fund donated by Edwin E. Valentine for "the acquisition of books and for the restoration, maintenance, and improvement of the collection." Unrestricted monies are not restricted and available for operating expenses.

### Condensed Statement of Net Assets

Current assets	\$ 1,454,306
Capital assets, net	<u>324,605</u>
Total assets	1,778,911
Current liabilities	<u>90,391</u>
Net assets	
Invested in capital assets	324,605
Restricted for collection expenses	309,168
Unrestricted	<u>1,054,747</u>
	<u>\$ 1,688,520</u>

#### B. Statement of Activities.

The table below shows key financial information under the full accrual method in a condensed format. Amounts and totals reported are for all Library activities, including general operations, improvements, gift activity, and net assets, in order to give a complete picture.

The Library's net assets increased by \$328,613 this year. There are two primary reasons for this increase.

1. Property tax revenue was greater than anticipated by approximately \$130,000, in part due to a refund of property taxes captured by the City of Muskegon through LDFA II in excess of the amount of the Library's tax increment. The Library's primary source of revenue is property taxes, which represents 80.2 percent of total revenue.
2. A second important reason for the increase are the inclusion of the value of the government documents the library receives as a depository library under both the state and federal selected government documents depository program.

In addition, the value of the donations received from the Friends of Hackley Library, an independent 501 (C) 3 support group, were included for the first time.

Salaries and fringe benefits are a significant expense for the Library, representing 79.5 percent of the Library's total expenses. Fringe benefits were reduced in 2003-2004 because of a change in accounting procedures and through negotiation of a new contract with Service Employees International Union local 517M. Eligible employees received step salary increases last year but no other raises.

Depreciation expenses representing 3.5% of the Library's total expenses were included in the report for the first time this year per the requirements of GASB 34.

### Condensed Statement of Activities

Charges for services	\$ 3,452
General revenues	
Property taxes	1,655,230
Grants and contributions	159,015
Fines and forfeitures	165,565
Other	<u>18,735</u>
Total revenues	2,001,997
Expenses	
Salaries and wages	1,021,327
Fringe benefits	359,256
Contracted services	77,407
Depreciation	62,155
Other expenses	<u>153,239</u>
Total expenses	<u>1,673,384</u>
Change in net assets	328,613
Net assets at July 1, 2003	<u>1,359,907</u>
Net assets at June 30, 2004	<u>\$ 1,688,520</u>

### The Library's Fund

The analysis of the Library's major fund is included on pages 2 and 3. These pages show the General Fund, the Library's major operating fund. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities, such as special property tax millages. The Library's major fund consists solely of the General Fund.

The fund balance of the General Fund increased during the current year by \$152,203. As discussed previously, property taxes increased more than anticipated. In addition, spending was controlled where possible -- vacant positions were not filled -- and fewer materials were purchased -- representing significant savings.

As noted above, the largest use of resources during the 2003-2004 fiscal years was for personnel - salaries and wages. This is typical of service organizations that are open to the public six days a week, year round.

### **Library Budgetary Highlights**

Over the course of the year, the Library Board amended the budget three times to address unplanned needs and events that occurred during the year. The most significant changes occurred in wages and salaries and fringe benefits expenses.

The increase in the amount budgeted for salaries and wages in the final budget vs. the amount in the original budget can be attributed to a change in accounting procedures. Previously the amount paid in lieu of health insurance to those employees who do not want insurance (the "opt out" payment) was recorded in the health insurance line. Following the Library's 2002-2003 audit, Brickley Delong CPA required that the opt out amount be recorded in the salaries and wages line. Consequently, the amount budgeted for wages and salaries rose and the amount budgeted for health insurance fell. In addition, a math error was discovered in the calculation of two categories of wages, which was corrected through a budget adjustment. Finally, an additional librarian was added for twelve hours per week.

A large portion of the increase in the amount received in property taxes vs. the amount budgeted can be attributed to a refund of \$43,533 of property taxes captured by the City of Muskegon through LDFA II in excess of the amount of the Library's tax increment.

### **Capital Assets and Debt Administration**

At the end of the fiscal year, the Library had \$324,605 invested in leasehold improvements, furniture and equipment, and books and materials net of depreciation. The Library added \$240,814 in new collection items consisting of new books, various audio/visual materials, and planned upgrades to technology. Items in the materials collection that had become obsolete were either donated to the Friends of Hackley Public Library for their annual used book sale, given to another library or institution, or disposed of. The cost of fully depreciated capital assets removed from the collection amounted to \$87,562.

The Library's long-term debt activity consists of capped accumulated employee compensated absences (sick leave) to be paid to eligible employees upon retirement.

### **Next Year's Anticipated Budget Factors and Currently Known Facts**

In 2003-2004 the City of Muskegon considered and granted approximately 13 requests for property tax abatements. In 2002-2003 approximately four requests were considered. It is anticipated that this upward trend in property tax abatement will continue. In preparing the 2004-2005 budget the library anticipated a property tax revenue decrease of \$42,623 due to property tax abatements.

In 2003-2004 the Library completed a five year strategic long range plan. The Library Board, staff, community members, focus groups and comparative data were used in the development of the Long Range Plan. Activities in the areas of collections, buildings, and technology addressed in the Long Range Plan that will impact the Library's financial position in 2004-2005 include:

A multi-year comprehensive collection evaluation and development project started in 2003-2004 will continue in 2004-2005. As part of this project, obsolete materials are removed from the collection. Items of value will be donated to other institutions or sold.

Environmental, mechanical and space needs of the Library will be evaluated by contracted professionals over the course of the next two years. Consequently, expenses for contracted services as well as building repair and maintenance costs are expected to rise in 2004-2005.

Technology upgrades and replacement of obsolete equipment are being reviewed. Plans are incomplete, so this project is not included in the original budget for this fiscal year.

The Library has received approval for two grants, both of which will be accomplished during the 2004-2005 fiscal year.

A federal LSTA (Library Services and Technology) grant to digitize images of Muskegon that are held in the collections of the Library and of the Muskegon County Museum has been approved. This grant will help to preserve the actual fragile historic documents, photos and other items, while making them more accessible to the public via the Library's web site. \$6,908 has been approved by the Library of Michigan, the Michigan agent for LSTA grants. The Library will provide \$1,717 in matching funding.

A grant from the Community Foundation for Muskegon County to purchase Spanish language materials for young people has been approved. This grant will allow the Library to increase its collection of Spanish language items. \$500 has been approved by the Community Foundation. The Library will provide \$1,500 in matching funding.

### **Contacting the Library's Financial Management**

This financial report is designed to provide a general overview of the Library's finances for all those interested in the Library's finances. If you have any questions about this report or need additional information, contact Marty Ferriby, Director at Hackley Public Library, 316 W. Webster Ave., Muskegon, Michigan 49440.



# BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

October 21, 2004

Board of Directors  
Hackley Public Library  
Muskegon, Michigan

We have audited the accompanying financial statements of Hackley Public Library as of and for the year ended June 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hackley Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hackley Public Library as of June 30, 2004 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages i through v and 13 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Brickley DeLong, P.C.*

Hackley Public Library  
**BALANCE SHEET - STATEMENT OF NET ASSETS**  
June 30, 2004

ASSETS	Balance Sheet - Modified Accrual	Adjustments	Statement of Net Assets - Full Accrual
Cash and investments	\$ 967,467	\$ -	\$ 967,467
Due from other governmental units	161,626	-	161,626
Prepaid expenditures	16,045	-	16,045
Restricted cash	309,168	-	309,168
Capital assets, net of depreciation	-	324,605	324,605
Total assets	<u>\$ 1,454,306</u>	<u>324,605</u>	<u>1,778,911</u>
LIABILITIES			
Accounts payable	\$ 27,801	-	27,801
Accrued liabilities	<u>47,087</u>	<u>15,503</u>	<u>62,590</u>
Total liabilities	74,888	15,503	90,391
FUND BALANCE			
Reserved for prepaid expenditures	16,045	(16,045)	-
Reserved for collection expenses	309,168	(309,168)	-
Unreserved	<u>1,054,205</u>	<u>(1,054,205)</u>	<u>-</u>
Total fund balance	<u>1,379,418</u>	<u>(1,379,418)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,454,306</u>		
NET ASSETS			
Invested in capital assets		324,605	324,605
Restricted for collection expenses		309,168	309,168
Unrestricted		<u>1,054,747</u>	<u>1,054,747</u>
Total net assets		<u>\$ 1,688,520</u>	<u>\$ 1,688,520</u>

The accompanying notes are an integral part of this statement.

Hackley Public Library  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**  
 Year ended June 30, 2004

	Revenues and Expenditures - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
<b>Revenues</b>			
Property taxes	\$ 1,655,230	\$ -	\$ 1,655,230
Intergovernmental revenue—state	38,241	-	38,241
Fines and forfeits	165,565	-	165,565
Charges for services	3,452	-	3,452
Investment income	5,116	-	5,116
Contributions	8,718	112,056	120,774
Other	13,619	-	13,619
Total revenue	1,889,941	112,056	2,001,997
<b>Expenditures</b>			
Current			
Salaries and wages	1,019,078	2,249	1,021,327
Fringe benefits	359,256	-	359,256
Operating supplies	33,715	-	33,715
Repairs and maintenance	30,598	-	30,598
Insurance	12,203	-	12,203
Dues and fees	742	-	742
Contracted services	77,407	-	77,407
Training	2,728	-	2,728
Rent	11,311	-	11,311
Telephone	9,744	-	9,744
Other	17,504	-	17,504
Capital outlay	163,452	(128,758)	34,694
Depreciation	-	62,155	62,155
Total expenditures	1,737,738	(64,354)	1,673,384
Change in fund balance—net assets	152,203	176,410	328,613
Fund balance—net assets at July 1, 2003	1,227,215	132,692	1,359,907
Fund balance—net assets at June 30, 2004	\$ 1,379,418	\$ 309,102	\$ 1,688,520

The accompanying notes are an integral part of this statement.

Hackley Public Library  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Hackley Public Library (Library) was established on February 20, 2001 by a district library agreement between the Public Schools of the City of Muskegon (School District) and the City of Muskegon (City) pursuant to the District Library Establishment Act. The boundaries include most of the City and a small portion of Muskegon Township and the City of Norton Shores all of which comprise the School District boundaries. The Library is governed by a seven member Library Board. The School District appoints four members and the City appoints three. The Library is administered by a director appointed by the Board. The Library is primarily funded through a tax levy on property within the Library district, fines, fees and state aid.

The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Effective July 1, 2003, the Library adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations.
- The Library's activities are presented on both the modified accrual basis of accounting (as in the past) as well as the full accrual basis of accounting.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balance at July 1, 2003—governmental funds	\$ 1,227,215
Net capital assets	145,946
Long-term liabilities	<u>(13,254)</u>
Restated net assets at July 1, 2003	<u>\$ 1,359,907</u>

**1. Reporting Entity**

Hackley Public Library is incorporated under the provisions of the District Library Establishment Act of Michigan for the purpose of providing a community library for education and recreation. The Library is governed by an appointed seven member Library Board, and is administered by a Library Director appointed by the Board.

The accounting policies of the Library conform to generally accepted accounting principles as applicable to a governmental fund type of a governmental unit.

Hackley Public Library  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**2. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Since the Library only has one fund no separate columns have been provided.

**3. Measurement Focus and Basis of Accounting**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments, are recorded only when payment is due.

Unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

**4. Assets, Liabilities and Fund Equity or Net Assets**

**Deposits and Investments**

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Library has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Library to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

All property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied on December 1 and are due without penalty on or before February 14. The property taxes attach as an enforceable lien on property as of December 1. Uncollected real property taxes as of the following March 1 are turned over by the participating municipalities to the County for collection. The County advances the Library all of these delinquent real property taxes. Collection of delinquent personal property taxes as of March 1 remain the responsibility of the Library. The 2003 State taxable valuation for real/personal property of the Library total was approximately \$646,600,000. The ad valorem taxes levied consisted of 2.4 mills for operating purposes.

Hackley Public Library  
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**4. Assets, Liabilities and Net Assets or Equity—Continued**

**Prepaid Expenditures**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures. The prepaid items recorded in the governmental fund types do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is reserved.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group.

**Capital Assets**

Capital assets, which include plant and equipment are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year with exception of library books, periodicals, etc. which are all recorded as capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	20-30
Library books, periodicals, etc.	5
Equipment	5
Furniture and fixtures	5

Art and historical treasures are not depreciated as they generally appreciate in value over time.

**Compensated Absences**

The Library's employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation time does not accumulate from year to year. Sick leave is accumulated at different rates for various categories of employees. Unused sick leave accumulates from year to year. Unused accumulated sick leave is forfeited at the time of retirement; however, upon retirement, employees may be paid up to \$30 per accumulated sick day if varying conditions are met.

**Fund Balance and Net Assets**

Reservations and restrictions represent amounts that are not appropriable or are legally segregated for a specific purpose.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Hackley Public Library  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information***

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the beginning of the year, the Library Director submits to the Library Board a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Not later than June 30, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Library Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund and individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Library Board made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

**1. Deposits**

The Library's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of June 30, 2004, the Library's carrying amount of deposits was \$22,635 and the bank balance was \$25,990. The bank balance was covered by federal depository insurance.

**2. Investments**

As of June 30, 2004, the Library's investments represented holdings in investment pools and mutual funds. During the year ended June 30, 2004, the Library's investments were only in this type of investment.

Hackley Public Library  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**2. Investments—Continued**

The Library's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Library's or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Library's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of June 30, 2004, the Library's fair value in those pools and mutual funds was \$1,254,000.

Balance sheet classifications:

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and investments	\$ 22,635	\$ 944,832	\$ 967,467
Restricted cash	<u>-</u>	<u>309,168</u>	<u>309,168</u>
	<u>\$ 22,635</u>	<u>\$ 1,254,000</u>	<u>\$ 1,276,635</u>

**NOTE D—CAPITAL ASSETS**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2004</u>
<b>Capital assets, not being depreciated:</b>				
Art and historic treasures	\$ 6,000	\$ -	\$ -	\$ 6,000
<b>Capital assets, being depreciated:</b>				
Leasehold improvements	25,273	2,157	-	27,430
Library books, periodicals, etc.	2,789,240	229,119	87,562	2,930,797
Equipment	92,385	9,538	-	101,923
Furniture and fixtures	<u>9,160</u>	<u>-</u>	<u>-</u>	<u>9,160</u>
Total capital assets, being depreciated	2,916,058	240,814	87,562	3,069,310
<b>Less accumulated depreciation for:</b>				
Leasehold improvements	1,945	1,353	-	3,298
Library books, periodicals, etc.	2,686,429	52,327	87,562	2,651,194
Equipment	83,587	7,211	-	90,798
Furniture and fixtures	<u>4,151</u>	<u>1,264</u>	<u>-</u>	<u>5,415</u>
Total accumulated depreciation	<u>2,776,112</u>	<u>62,155</u>	<u>87,562</u>	<u>2,750,705</u>
Total capital assets being depreciated, net	<u>139,946</u>	<u>178,659</u>	<u>-</u>	<u>318,605</u>
Capital assets, net	<u>\$ 145,946</u>	<u>\$ 178,659</u>	<u>\$ -</u>	<u>\$ 324,605</u>

**Depreciation**

Depreciation expense was unallocated for the year ended June 30, 2004.



Hackley Public Library  
**NOTES TO THE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE E—COMMITMENTS**

**Public Improvement Fund**

The Library, as part of the district library agreement, is required to participate in a Public Improvement Fund established for the maintenance of the Library's facilities. As part of this agreement, the Library must contribute \$25,000 annually to the Public Improvement Fund. This \$25,000 contribution is included in capital outlay on the financial statements. The contribution is matched by the landlord.

**Leases**

**Facilities**

The Library entered into a fifty-year lease agreement for the Library's operating facilities. The lease requires annual rentals of \$1, annual payment to Public Improvement Fund noted above, and payment of all occupancy expenses. The lease can be terminated by the landlord with 48 months written notice.

**Equipment**

The Library is involved in several lease agreements expiring at various dates through December 2005 requiring aggregate minimum monthly payments of approximately \$600. Expense for the year ended June 30, 2004 was approximately \$7,600.

The following is a schedule of future minimum rental payments required under operating leases for Library equipment.

Year ending <u>June 30,</u>	<u>Total</u>
2005	\$ 6,800
2006	<u>2,600</u>
	<u>\$ 9,400</u>

**NOTE F—EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

**Plan description** - The Library contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to or calling:

Office of Retirement Systems  
Michigan Public School Employees Retirement System  
P.O. Box 30171  
Lansing Michigan 48909  
1-800-381-5111

Hackley Public Library  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2004

**NOTE F—EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN—Continued**

**Funding policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The Library is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2004, were 12.99 percent of payroll. The contribution requirements of plan members and the Library are established and may be amended by the MPSERS Board of Trustees. The Library contributions to MPSERS for the year ended June 30, 2004, 2003 and 2002 were approximately \$110,000, \$109,000 and \$88,000, respectively, and were equal to the required contribution for those years.

The Library is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

**Other post-employment benefits** – Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**NOTE G—OTHER INFORMATION**

***Risk Management***

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

Hackley Public Library  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS—CONTINUED  
June 30, 2004

**NOTE H—RECONCILIATION OF GENERAL FUND FINANCIAL STATEMENTS TO  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Total fund balance – governmental funds** **\$ 1,379,418**

Amounts reported for government activities in the  
Statement of Net Assets is different because:

Capital assets used in governmental activities are  
not current financial resources and are not reported  
in this governmental fund.

Cost of capital assets	\$ 3,075,310	
Accumulated depreciation	<u>(2,750,705)</u>	324,605

Accrued liabilities in governmental activities are  
not due and payable in the current period and are not  
reported in the governmental funds.

Compensated absences		<u>(15,503)</u>
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Net assets of governmental activities in the Statement of Net Assets		<u>\$ 1,688,520</u>
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**Net change in fund balances – total governmental funds** **\$ 152,203**

Amounts reported for government activities in the  
Statement of Activities are different because:

Contributions of fixed assets recorded as revenues in the Statement of Activities, but not in the governmental funds.		112,056
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Governmental funds report outlays for capital assets and  
bond issuance costs as expenditures in the Statement of  
Activities; these costs are depreciated and amortized over  
their estimated useful lives.

Depreciation expense		(62,155)
Capital outlay		128,758

Increase in compensated absences are reported as expenditures when financial resources are used in the governmental funds.		<u>(2,249)</u>
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Change in net assets in governmental activities		<u>\$ 328,613</u>
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**REQUIRED SUPPLEMENTAL INFORMATION**

Hackley Public Library  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE—BUDGET AND ACTUAL—GENERAL FUND**

Year ended June 30, 2004

	Original budget	Final budget	Modified Actual	Over (under) final budget
<b>Revenues</b>				
Property taxes	\$ 1,522,374	\$ 1,522,374	\$ 1,655,230	\$ 132,856
Intergovernmental revenue—state	33,976	33,976	38,241	4,265
Fines and forfeits	160,961	160,961	165,565	4,604
Charges for services	4,050	4,050	3,452	(598)
Investment income	8,550	8,550	5,116	(3,434)
Contributions	20,000	20,000	8,718	(11,282)
Other	8,100	8,100	13,619	5,519
<b>Total revenue</b>	<b>1,758,011</b>	<b>1,758,011</b>	<b>1,889,941</b>	<b>131,930</b>
<b>Expenditures</b>				
<b>Current</b>				
Salaries and wages	956,334	1,009,953	1,019,078	9,125
Fringe benefits	425,895	377,976	359,256	(18,720)
Operating supplies	34,712	35,430	33,715	(1,715)
Repairs and maintenance	30,000	38,000	30,598	(7,402)
Insurance	12,822	12,203	12,203	-
Dues and fees	1,225	775	742	(33)
Contracted services	80,478	81,845	77,407	(4,438)
Training	3,000	3,000	2,728	(272)
Rent	13,600	12,300	11,311	(989)
Telephone	12,000	11,000	9,744	(1,256)
Other	13,810	12,460	17,504	5,044
Capital outlay	174,135	163,034	163,452	418
<b>Excess of revenues over (under) expenditures</b>	<b>1,758,011</b>	<b>1,757,976</b>	<b>1,737,738</b>	<b>(20,238)</b>
	\$ -	\$ 35	152,203	\$ 152,168
<b>Fund balance at July 1, 2003</b>			<b>1,227,215</b>	
<b>Fund balance at June 30, 2004</b>			<b>\$ 1,379,418</b>	